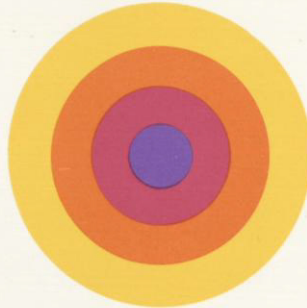


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TO OUR STOCKHOLDERS

Younkers sales goal for the very near future is \$100 million. This past fiscal year we reached a record high of \$90 million. We're well on our way to achieving our goal. It is the result of aggressive sales efforts, store expansion and innovative fashion merchandising policies. Sensible growth, sound profits and constant efforts to improve both factors will bring Younkers to the \$100 million milestone in a most healthy condition. Younkers profits of \$5,218,487 were a record high. In part, this came about from the sale in December 1972 of 112,500 shares of General Growth Properties stock. Profits from other operations continued at an increased rate.

For the past year, we have presented an advertising-merchandising theme that has attracted favorable attention in the market place — "The Best of Everything". In this report, the figures, the plans and the formula for the future could well be entitled "The Best of Everything". Read on and see if you don't agree that the best is yet to come.

On July 11 of this year, we will open a new, quality fashion 100,000 square foot store in the populous and prosperous Davenport, Iowa area. Following that opening, there will be a Younkers store in Moline, Illinois. This 80,000 square foot fashion center will bring to three the number of our stores in the Quad-Cities area. These stores are being counted on to add substantially to our sales and profit picture.

FUTURE GROWTH IN DES MOINES

1. Growth in Des Moines includes a new 100,000 square foot Store for Homes at Merle Hay Mall where our objective will be Quality and Fashion, Service and Price.

2. A completely redesigned furniture warehouse store in downtown Des Moines, developed to take advantage of the new concepts in budget furniture merchandising with 150 display room settings at budget prices.

3. A new 100,000 square foot store in south Des Moines, an area as yet untapped and with a promising potential.

4. In an ever-updating program, the Merle Hay Mall store will be remodeled to expand our fashion apparel departments once the home furnishings merchandise has been moved to the new Store for Homes.

YOUNKERS IS ACTIVE IN DEVELOPING OUTSIDE INVESTMENTS

1. The company owns 723,897 shares of General Growth Properties. This very fine real estate investment trust is presented in greater detail on the following pages of this report. On March 26, we distributed 98,463 shares of General Growth Properties stock to shareholders. For every 16 shares of Younkers stock, one share of General Growth Properties stock was distributed. On March 5, 1973, General Growth Properties became listed on the New York Stock Exchange.

2. We do feel that our investment in Hawkeye

Communications, a cable television company based in Des Moines, will be a sound, profitable one in time. It is planned to expand its service rapidly in the next three years.

3. In another recent development, we have invested \$1,000,000 as a limited partner in Becker Communications Associates organized by A. G. Becker & Co., Incorporated, to engage in the business of financing the construction and improvement of cable television systems. Five insurance companies are among the limited partners. We anticipate a better than average return on this investment.

FOR OUR ASSOCIATES

We are mindful that loyal, hard-working employees are the backbone of any business — of that, there is no question in our minds.

1. In 1972, Younkers contributed 1,000 shares of General Growth Properties to each of Drake University, Grinnell College and Simpson College to establish a scholarship program designed to benefit Younkers' employees and employees' dependents. We recognize the increasing cost of higher education and we are encouraging scholarship usage for our Younker families through this means. The 3,000 shares had a total market value of approximately \$75,000.

2. We added a life insurance program for our regular employees so that, in the event of death, their beneficiaries will receive at least one and one-half times their annual salary if that amount is not available for them in the Younkers Profit Sharing Fund.

3. Our people know that upon retirement they will have a good way of life. For 1972, Younkers contributed \$783,487 to the Younkers Employees' Profit Sharing Retirement Trust which represented 10% of profits before taxes. On January 31, 1973, the assets of the Younkers Employees' Profit Sharing Retirement Trust exceeded \$12,000,000 — all invested for the benefit and retirement of Younker employees.

All of us at Younkers are optimistic about 1973. We will continue to grow soundly in sales and earnings despite some anticipated problems with the Phase III program.

Each year, we remind ourselves how grateful we are to all of our associates whose efforts have generated the kind of business success we are enjoying. We acknowledge with a sense of appreciation the cooperation given to us by our suppliers of merchandise and all others who work with us day in and day out. We want to thank our customers who have been so loyal through the years. All of these people are very much a part of our "Best of Everything".

In behalf
of Younkers
Board of Directors



Charles Duchon, President

10-YEAR HIGHLIGHTS

Year Ended Jan. 31	Net Sales Including Leased Departments	Earnings Before Income Taxes	Net Earnings	Earnings Per Share of Common Stock	Dividends Paid Per Share of Common Stock	Net Assets Per Share of Common Stock
1964	\$63,527,473	\$3,787,075	\$1,891,075	\$1.20	\$.56	\$13.03
1965	66,973,075	4,580,620	2,420,544	1.54	.61	13.78
1966	69,859,342	5,152,292	2,796,292	1.80	.67	14.91
1967	71,827,336	5,616,957	2,976,957	1.92	.76	16.07
1968	73,548,201	6,255,583	3,209,583	2.08	.82	17.36
1969	79,120,338	6,479,381	3,472,399	2.27	.90	18.77
1970	83,542,485	7,475,139	3,893,227	2.40	.90	20.63
1971	83,300,527	7,807,101	3,544,127	2.15	.98	22.44
1972	86,500,559	7,216,054	3,729,054	2.27	1.05	23.66
1973	90,766,273	9,534,487	5,218,487	3.18	1.29*	26.58

Net earnings for the years ended January 31, 1969, 1970, and 1971 include extraordinary gains or (loss) of \$350,018, \$467,088, and (\$224,974) respectively. Earnings per share before these items were \$2.03, \$2.10 and \$2.29.

**Per share amount is computed using the market value of General Growth Properties shares distributed. The amount using the carrying value of such shares is \$.41 per share of common stock.*

FINANCIAL HIGHLIGHTS

	Years ended January 31,	
	1973	1972
OPERATING RESULTS		
Net sales (including leased departments)	\$90,766,273	\$86,500,559
Net earnings:		
Amount	5,218,487	3,729,054
Per share of common stock	3.18	2.27
DISTRIBUTION OF EARNINGS		
Dividends to preferred stockholders	150,710	150,710
Dividends to common stockholders:		
1973 dividend paid in shares of General Growth Properties plus cash for fractional shares, market value of \$2,048,225	366,113	1,656,040
Declared and accrued at year end, to be paid in shares of General Growth Properties during the year ending January 31, 1974	290,000	—
Earnings reinvested in the business	4,411,664	1,922,304
Dividends per share of common stock (using market value of shares distributed in 1973)	1.29	1.05
FINANCIAL POSITION		
Working capital	38,313,062	33,890,743
Current assets per dollar of current liabilities	4.23 to 1	4.31 to 1
Equity of common stockholders	42,368,721	37,281,009
Net asset value per share of common stock	26.58	23.66

OFFICERS OF YOUNKER BROTHERS, INC.



(Left to Right) KENNETH J. McCARTHY, Vice-President, Secretary and Treasurer, and Director, WILLIAM FRIEDMAN, JR., Vice-President and Director, CHARLES DUCHEN*, President and Director, ROY RICHARDS, Vice-President and Director, STANLEY H. KRUM, Vice-President and Director, FRED A. GLYNN, Sr. Vice-President and Director.

DIRECTORS: JOSEPH F. ROSENFELD*, Chairman of the Executive Committee, MOREY SOSTRIN, Chairman of the Board, WILLIAM FRIEDMAN, SR.*, STANLEY B. FRIEDMAN, J. STUART KIRK, ROBERT J. MANDELBAUM, ROBERT LUBETKIN, JOHN A. GRINER III.

* Member of the Executive Committee

STATEMENT OF EARNINGS

Years ended January 31, 1973 and 1972

	1973	1972
Net sales, including leased departments	<u>\$90,766,273</u>	<u>\$86,500,559</u>
Costs and expenses:		
Cost of goods sold	57,911,486	55,084,170
Buying, selling and administrative expenses (less credit service charges) exclusive of items listed below	5,906,807	5,751,879
Salaries and wages	14,066,195	13,618,146
Property rentals, net	1,659,289	1,451,319
Depreciation	1,415,361	1,261,251
Taxes other than income	1,843,474	1,813,554
Contribution to profit sharing trust	812,155	745,159
Interest and financing	567,504	611,112
	<u>84,182,271</u>	<u>80,336,590</u>
Operating income	<u>6,584,002</u>	<u>6,163,969</u>
Other income:		
Gain on sale of equity investment (note 2)	1,924,875	—
Other, net including interest of \$417,302 (\$409,849 in 1972)	1,025,610	1,052,085
	<u>2,950,485</u>	<u>1,052,085</u>
Earnings before income taxes	<u>9,534,487</u>	<u>7,216,054</u>
Income taxes:		
Current	4,118,000	3,440,000
Deferred	198,000	47,000
	<u>4,316,000</u>	<u>3,487,000</u>
Net earnings	<u>\$ 5,218,487</u>	<u>\$ 3,729,054</u>
Earnings per common share	<u>\$3.18</u>	<u>\$2.27</u>

See accompanying notes to financial statements.

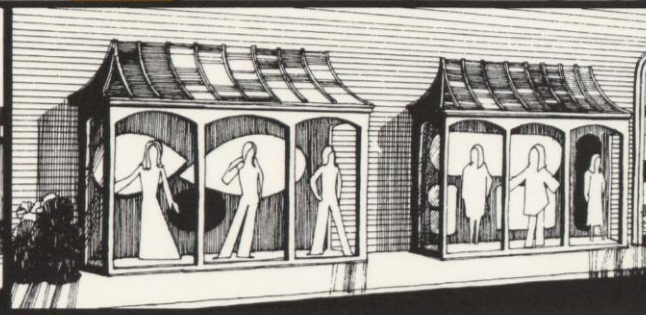
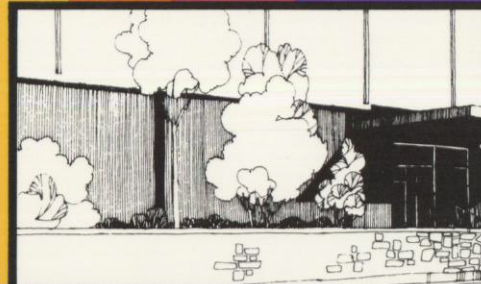
STATEMENT OF STOCKHOLDERS' EQUITY

Years ended January 31, 1973 and 1972

	<u>1973</u>	<u>1972</u>
Preferred stock — no change during year	\$ 2,614,200	\$ 2,614,200
Common stock — no change during year	<u>5,427,712</u>	<u>5,427,712</u>
Additional paid-in capital:		
Balance at beginning of year	1,178,704	1,178,894
Increase (decrease) in carrying value, net of related income tax, of General Growth Properties, less transfer of \$295,738 to reinvested earnings on partial disposition (note 2)	44,651	(288)
Proceeds from sale of treasury stock over average cost	<u>2,599</u>	<u>98</u>
Balance at end of year	<u>1,225,954</u>	<u>1,178,704</u>
Reinvested earnings:		
Balance at beginning of year	31,205,263	29,282,959
Net earnings for the year	5,218,487	3,729,054
Transfer from additional paid-in capital on disposition of partial investment in General Growth Properties (note 2)	295,738	—
	<u>36,719,488</u>	<u>33,012,013</u>
Deduct:		
Dividends:		
Serial preferred stock:		
5% cumulative series, \$5 per share	70,000	70,000
Second 5% cumulative series, \$5 per share	10,710	10,710
7% non-callable preferred stock, \$0.70 per share	70,000	70,000
Common stock (note 2):		
Paid in cash (for fractional shares in 1973) (\$1.05 per share in 1972)	46,373	1,656,040
Paid in shares of General Growth Properties 111,214 shares, at equity value of \$404,819, less related income taxes of \$85,079 provided in prior year (market value of shares distributed plus cash for fractional shares \$2,048,225, \$1.29 per share)	319,740	—
Declared and accrued at year end, to be paid in shares of General Growth Properties during the year ended January 31, 1974	<u>290,000</u>	<u>—</u>
	<u>806,823</u>	<u>1,806,750</u>
Balance at end of year	<u>35,912,665</u>	<u>31,205,263</u>
Cost of common shares in treasury:		
Balance at beginning of year, 24,307 shares (1972, 24,973 shares)	(449,960)	(462,290)
Shares sold during the year, 17,992 shares (1972, 666 shares)	<u>333,060</u>	<u>12,330</u>
Balance at end of year, 6,315 shares (1972, 24,307 shares)	<u>(116,900)</u>	<u>(449,960)</u>
Total stockholders' equity	<u>\$45,063,631</u>	<u>\$39,975,919</u>

See accompanying notes to financial statements.

YUNKERS IS EXPANDING — Younkens is growing by expanding into midwest markets that offer a great potential for volume and profit. In Des Moines we have remodeled the Furniture Warehouse Store, are building a new Store for Homes at Merle Hay Mall, will remodel the present Merle Hay Mall store and will build a new 100,000 square foot store in South Des Moines. In July of this year a new Younkens store will open in Davenport, Iowa. Several months later a new store will be opened in Moline, Illinois. On the drawing boards now are new stores in Sioux City, Iowa, and Sioux Falls, South Dakota. In all, we plan to add 500,000 square feet of selling space by the end of 1975. We anticipate that this physical growth will result in a total volume increase of \$30,000,000, bringing corporate total volume to \$120,000,000 by 1975.

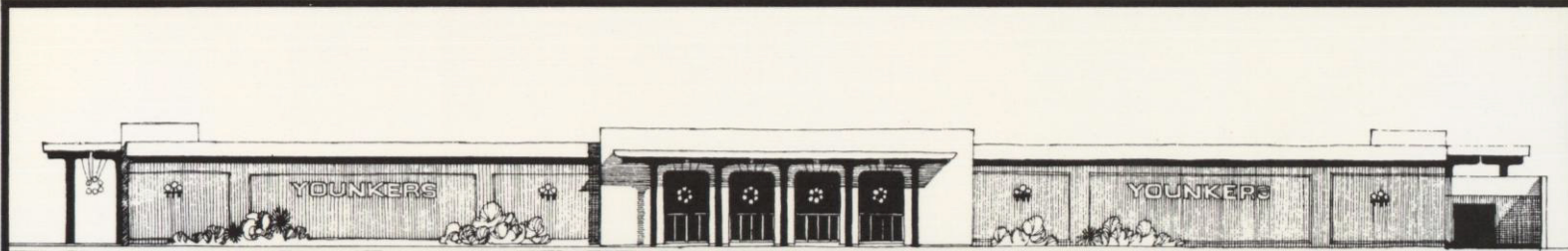


Yunker-Kilpatrick's in the Westroads Shopping Center, Omaha, Nebraska. Younkens has two stores in Omaha.

Top: Younkens at Merle Hay Mall, Iowa's largest shopping center. Opened in 1959. Now enlarged to 181,000 sq. ft.

The new Younkens store in Davenport's North Park Plaza Shopping Center. To open July, 1973.

Bottom: Younkens 60,000 sq. ft. store in Kennedy Mall, Dubuque, Iowa. Opened in 1968.

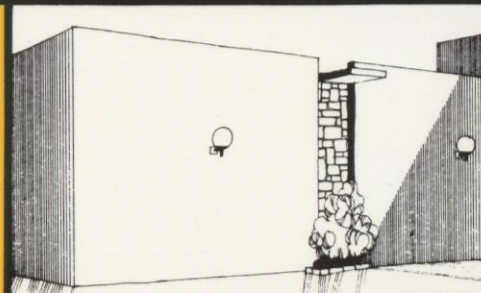


YUNKERS STORES

- | | |
|-------------------|-----------------|
| Ames | Iowa City |
| Austin, Minnesota | Marshalltown |
| Bettendorf | Mason City |
| Burlington | Newton |
| Cedar Falls | Omaha, Nebraska |
| Cedar Rapids | THE CENTER |
| Des Moines | WESTROADS |
| DOWNTOWN | Oskaloosa |
| EASTGATE | Ottumwa |
| MERLE HAY MALL | Sioux City |
| Dubuque | Spencer |
| Fort Dodge | |

PLANNED STORES

- Davenport (OPENING JULY 11)
- Moline, Illinois (OPEN 1974)
- South Des Moines (OPEN 1974)
- Store For Homes (MERLE HAY MALL — OPEN 1974)
- Sioux City
- Sioux Falls, South Dakota



GENERAL GROWTH PROPERTIES

Younkens holds a substantial interest in the shares of General Growth Properties. Here's how it happened.

Early in the 1960's Younkens was one of the original investors in a newly formed company called General Management Company (now called General Growth Properties). This company was originally conceived to do work on an urban renewal project in Des Moines and to develop other real estate.

Younkens were very familiar with Martin, Matthew and Maurice Bucksbaum, having enjoyed a good relationship with them as landlords of the Duck Creek Plaza store in Bettendorf plus they handled the management of Lindale Plaza, a Younker investment in Cedar Rapids. Eventually, a merger between General Management Corporation and the various interests of the Bucksbaums took place. This added the expertise and the organizational abilities that were needed for the expansion of the company.

In view of this good experience, Younkens continued to increase their investment in the company which eventually converted to a real estate investment trust with the name change to General Growth Properties. This investment has been very profitable for Younkens.

In addition to the financial rewards, it has assisted Younkens in their present expansion pro-

gram. Also, General Growth is working with Younkens on plans for an even greater involvement in new shopping center locations.

The last two dividends paid by Younkens have been in the form of shares of General Growth Properties stock. This has enabled Younkens to retain the cash normally paid as dividends for further expansion and other uses. For Younkens shareholders who prefer cash, it has been a simple process to sell their General Growth shares and convert them quickly into cash.

General Growth Properties is an equity real estate investment trust whose main objectives are to generate income and capital appreciation through the development of shopping centers and other income-producing real estate. This provides a simple means for investors to participate in the ownership advantages of major real estate projects. Ownership of shares of General Growth also offers shareholders the opportunity to receive tax favored dividends since a real estate investment trust pays no federal income tax on earnings distributed to its shareholders, provided it meets certain criteria.

General Growth Properties presently owns real estate and other assets of over \$150 million. The company pays a regular quarterly cash distribution to shareholders.

On March 5, 1973 General Growth Properties became listed on the New York Stock Exchange.

BALANCE SHEETS

January 31, 1973 and 1972

ASSETS	1973	1972
Current assets:		
Cash	\$ 3,677,407	\$ 1,915,774
Short-term investments	12,149,096	9,493,195
Marketable securities, (quoted market 1973, \$1,655,652)	1,361,230	1,471,766
Receivables, less allowance for doubtful receivables and unearned finance charges of \$589,743 (\$593,000 in 1972)	15,564,468	14,378,252
Merchandise inventories on hand and in transit, less provision for discounts in inventories, \$581,271 (\$567,230 in 1972)	16,887,498	16,368,004
Prepaid expenses	518,186	499,983
Total current assets	<u>50,157,885</u>	<u>44,126,974</u>
Investments:		
General Growth Properties (note 2):		
Common stock	3,258,322	3,836,933
Note receivable	624,122	684,151
Other	423,035	126,426
Total investments	<u>4,305,479</u>	<u>4,647,510</u>
Property, plant and equipment, at cost:		
Land	1,154,767	1,140,767
Buildings and improvements on owned properties	2,614,833	2,445,071
Buildings and improvements on leased properties	5,127,594	5,257,638
Furniture, fixtures and equipment	18,973,832	17,617,364
	<u>27,871,026</u>	<u>26,460,840</u>
Less accumulated depreciation	14,476,103	13,663,501
Net property, plant and equipment	<u>13,394,923</u>	<u>12,797,339</u>
Other assets	222,917	241,577
	<u>\$68,081,204</u>	<u>\$61,813,400</u>

See accompanying notes to financial statements.

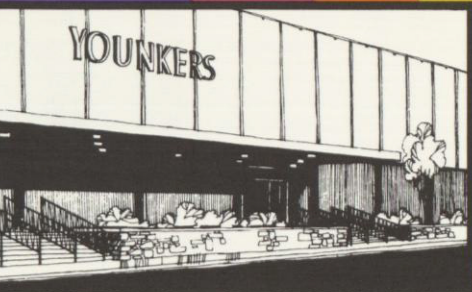
BALANCE SHEETS

January 31, 1973 and 1972

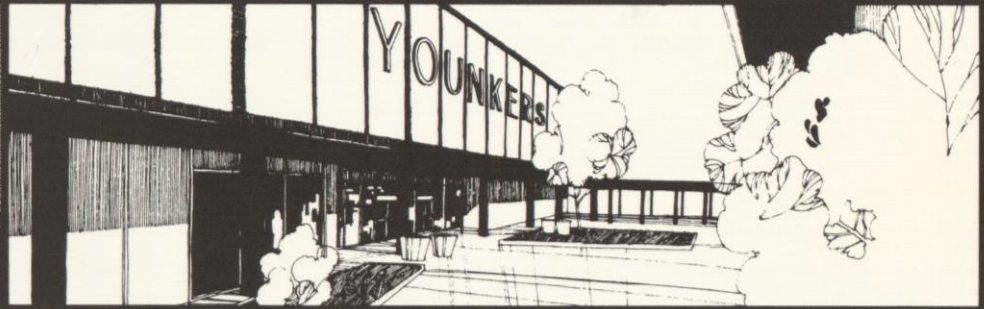
LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>1973</u>	<u>1972</u>
Current liabilities:		
Current instalments of long-term debt.....	\$ 634,000	\$ 734,000
Accounts payable	4,317,271	3,873,751
Income taxes	2,459,756	1,812,418
Deferred income taxes	1,658,000	1,437,000
Accrued taxes other than income.....	1,336,811	1,285,642
Other accrued expenses.....	<u>1,438,985</u>	<u>1,093,420</u>
Total current liabilities.....	11,844,823	10,236,231
Long-term debt, excluding current instalments (note 3)	8,654,000	9,288,000
Provision for self-insurance and deferred compensation.....	354,750	310,250
Deferred income taxes	<u>2,164,000</u>	<u>2,003,000</u>
Total liabilities	<u>23,017,573</u>	<u>21,837,481</u>
Stockholders' equity:		
Capital stock:		
Serial preferred stock of \$100 par value per share.		
Authorized 22,058 shares; issued:		
5% cumulative series, 14,000 shares.....	1,400,000	1,400,000
Second 5% cumulative series, 2,142 shares.....	214,200	214,200
7% non-callable preferred stock of		
\$10 par value per share, cumulative.		
Authorized and issued 100,000 shares.....	1,000,000	1,000,000
Common stock without par value.		
Authorized 2,500,000 shares; issued 1,600,115 shares	5,427,712	5,427,712
Additional paid-in capital	1,225,954	1,178,704
Reinvested earnings (note 3).....	35,912,665	31,205,263
Cost of 6,315 common shares in treasury (24,307 in 1972)	<u>(116,900)</u>	<u>(449,960)</u>
Total stockholders' equity.....	<u>45,063,631</u>	<u>39,975,919</u>
Commitments and contingencies (note 4).	<u>\$68,081,204</u>	<u>\$61,813,400</u>



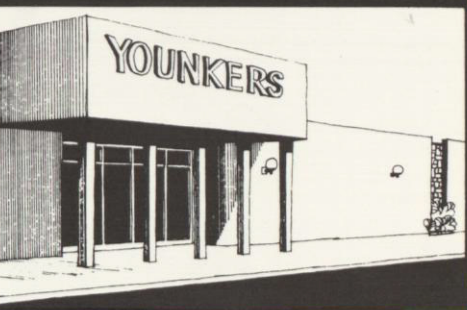
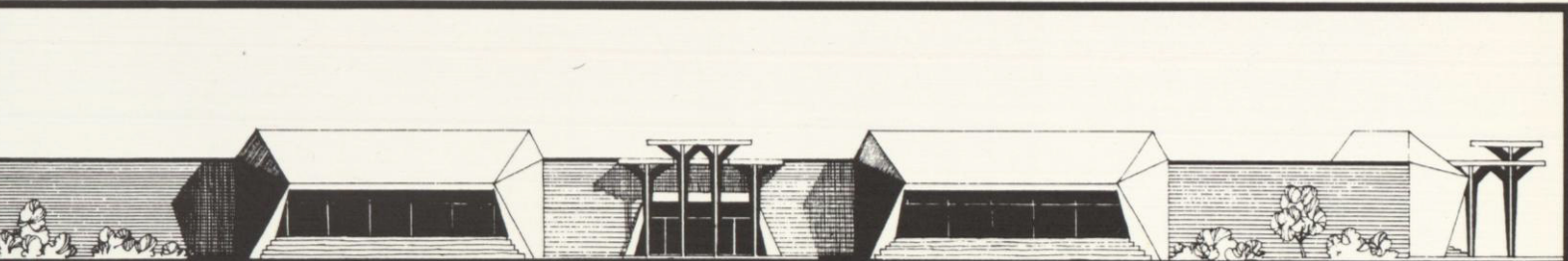


Bottom: Younkers in the College Square Shopping Center, Cedar Falls-Waterloo, Iowa. Opened in 1968.



Younkers in the Lindale Plaza Shopping Center, Cedar Rapids, Iowa. Opened in 1960.

Younkers new Store for Homes at Merle Hay Mall in Des Moines. Scheduled for completion late 1974.



STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended January 31, 1973 and 1972

	<u>1973</u>	<u>1972</u>
Working capital provided by:		
Net earnings	\$ 5,218,487	\$ 3,729,054
Add charges (credits) against earnings not requiring working capital:		
Depreciation	1,415,361	1,261,251
Deferred income taxes	(23,000)	179,000
Provision for deferred compensation.....	44,500	29,250
Contribution of long-term investment.....	27,864	—
Earnings from investment reported on equity method.....	(575,696)	(491,502)
Working capital provided by operations.....	<u>6,107,516</u>	<u>4,707,053</u>
Dividends received from General Growth Properties.....	774,638	404,562
Payments of long-term portion of General Growth Properties note receivable	—	221,370
Transfer current portion of long-term notes receivable to current assets.....	92,115	86,184
Sale of treasury stock.....	335,659	12,438
Proceeds from sale of General Growth Properties stock, less \$1,924,875 included in net earnings.....	471,375	—
Equity value of common stock of General Growth Properties distributed as a dividend.....	404,819	—
Total working capital provided	<u>8,186,122</u>	<u>5,431,607</u>
Working capital used to:		
Purchase property, plant and equipment, net of normal trade-ins.....	2,012,945	2,368,231
Declare dividends	806,823	1,806,750
Transfer current instalment of long-term debt to current liabilities.....	634,000	734,000
Purchase additional shares of General Growth Properties	—	300,000
Obtain long-term notes receivable.....	—	119,727
Purchase common stock of Hawkeye Communications, Inc.	287,100	31,900
Other	22,935	10,298
Total working capital used	<u>3,763,803</u>	<u>5,370,906</u>
Increase in working capital.....	<u>\$ 4,422,319</u>	<u>\$ 60,701</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

January 31, 1973

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS

The accounting policies employed by Younker Brothers, Inc., are consistent with generally accepted accounting principles. In those instances in which more than one generally accepted accounting principle can be applied, the Company has adopted the accounting principle that it believes most accurately and fairly reflects the circumstances.

SHORT-TERM INVESTMENTS

Short-term investments, consisting of certificates of deposit, commercial paper and securities of the United States government and its agencies, are stated at cost which approximates market value.

MARKETABLE SECURITIES

Marketable securities, consisting of corporate notes, debentures, common and preferred stocks, are stated at cost less amortization of bond premiums.

ACCOUNTS RECEIVABLE

Consistent with industry practice, instalment accounts receivable have been included in current assets, although approximately \$435,000 (\$550,000 in 1972) will become due after one year.

The allowance for doubtful receivables represents 2.6 percent (2.8 percent in 1972) of customer accounts receivable at year end, and is determined by historical loss experience and current analysis of receivable delinquencies.

Accounts are written off if a scheduled payment has not been received within six months of the due date or if the balance is more than twelve months delinquent, or if it is otherwise determined that the customer is unable to pay.

Unearned finance charges on instalment accounts receivable are deferred and treated as a reduction of accounts receivable. Unearned finance charges are recognized in earnings on a pro rata basis as instalment payments are received, and are treated as a reduction of buying, selling

and administrative expenses in the statement of earnings.

MERCHANDISE INVENTORIES

The valuation of merchandise inventories is determined by the retail inventory method which involves valuation of individual items at current selling prices and the reduction of the amounts so determined to approximate the lower of cost or market by the application of departmental markup ratios. Inventories are reduced by a provision for normal cash discounts.

INVESTMENTS

The Company has accounted for its investment in General Growth Properties, under the equity method. During 1973 its percentage of ownership thereof declined to such a level (as described in footnote 2 of notes to financial statements) that the equity method was discontinued in accordance with the provisions as established by the Accounting Principles Board of the American Institute of Certified Public Accountants.

Other investments are stated at cost.

PROPERTY, PLANT AND EQUIPMENT

Depreciation expense is provided on the straight-line method over the estimated useful lives of the assets.

Annual rates of depreciation and amortization used by the Company are as follows:

Buildings and improvements on owned properties	2%-5%
Buildings and improvements on leased properties	Lesser of lease period or useful life
Building equipment	2½ %-10%
Furniture, fixtures and equipment	6⅔ %-33⅓ %

Maintenance, repairs and renewals are charged against income. Betterments are capitalized and subsequently depreciated.

The cost and accumulated depreciation of properties retired or otherwise disposed of are eliminated from the asset and accumulated depreciation accounts. Related profit or loss from such transactions is credited or charged to income.

(Continued next page)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Related Matters, continued

INCOME TAXES

Certain accounting practices for income tax reporting differ from those used for the financial statements. Deferred income taxes are attributable to such differences, which include:

- (a) Accelerated depreciation methods rather than straight-line.
- (b) Real estate considered owned rather than leased.
- (c) Instalment method of reporting income from deferred payment sales rather than the accrual method.
- (d) Undistributed earnings of an investee company.

Investment tax credit approximating \$69,000 (\$80,000 in 1972) is accounted for under the flow-through method and reduces the Company's income tax expense.

PROVISION FOR SELF-INSURANCE AND DEFERRED COMPENSATION

The Company's policy is to make conservative provision on a current basis, as determined by the deductible amounts of insurance coverages, for losses arising from fire or other catastrophe.

The Company has employment contracts with two officers providing for benefits to be paid to them in instalments upon retirement or, in event of death, to their beneficiaries. The present value of future compensation is provided for currently on a straight-line basis to date of retirement. The aggregate provision for these contracts at January 31, 1973, was \$129,750 (\$85,250 in 1972).

STORE OPENING EXPENSE

The expenses relating to the opening of new stores are charged to operations when incurred.

STOCK OPTION PLAN

During the year ended January 31, 1973, options for 17,992 shares, granted under a qualified stock option plan, were exercised by issuing shares out of treasury stock. At January 31, 1973, all options had either been exercised or expired. Proceeds from

the sale of common stock held in treasury reduce treasury stock to the extent of the average cost of the shares held in treasury; the remainder is added to additional paid-in capital.

EMPLOYEES' PROFIT SHARING PLAN

The employees' profit sharing retirement plan covers full-time employees who have five or more years of continuous service and who are under 66 years of age. The annual contribution, subject to specified limitations, is the larger of 10% of net profits of the Company as defined or an amount authorized by the board of directors.

EARNINGS PER COMMON SHARE

Earnings per common share is computed by dividing net earnings after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding during the year. The difference between earnings per common share, earnings per common and common equivalent share and earnings per common share assuming full dilution was insignificant for the years ended January 31, 1973 and 1972.

2. INVESTMENT IN GENERAL GROWTH PROPERTIES

The Company has accounted for its investment in General Growth Properties (GGP), a real estate investment trust, under the equity method. Equity earnings for the year ended January 31, 1973, amounted to \$575,696 (\$491,502 in 1972) and have been included in other income. Dividends received from GGP reduce the equity value of the investment.

In April of 1972 the Company (Younkers) paid a dividend to its common stockholders of one share of GGP stock for every 28 shares of Younkers stock owned by its shareholders as of March 14, 1972. This amounted to 111,214 shares of GGP stock (as adjusted for a 2-for-1 stock split by GGP) with an equity value of \$404,819 with cash being distributed for fractional shares at a rate of \$1.26 for each share. The market value of GGP stock distributed on April 3, 1972, was \$18.00 per share or \$2,001,852 in aggregate.

(Continued next page)

NOTES TO FINANCIAL STATEMENTS

2. Investment in General Growth Properties, continued

In conjunction with a public offering in December, 1972, Younkers sold 112,500 shares of its investment in GGP, having an equity value of \$471,375 and realized a gain of \$1,924,875. Subsequent to this offering, Younkers ownership of GGP amounted to 822,360 shares or approximately 15 percent of the outstanding shares of GGP, and accordingly, Younkers discontinued the equity method of accounting for its investment in GGP at that time.

As a result of the aforementioned dispositions by Younkers of its holdings in GGP, additional paid-in capital amounting to \$295,738 has been transferred to reinvested earnings, based upon the per share amount of additional paid-in capital arising from its investment.

On January 19, 1973, a dividend was declared by Younkers to holders of its common stock, amounting to one share of GGP stock for every 16 shares owned by its shareholders at February 26, 1973. This dividend has been accrued, at Younkers carrying value of GGP, in the amount of \$290,000.

The bid price of GGP stock at January 31, 1973, was \$20.50 per share (\$16.75 at January 31, 1972).

The Company also holds a 6½ percent second mortgage note due from General Growth Properties in monthly instalments to October 1, 1978. Current instalments of \$60,030 are included with current assets.

3. LONG-TERM DEBT

Unsecured long-term debt is as follows:

Promissory notes	Due in one year	Due after one year
5%, due 1972-81	\$270,000	\$3,110,000
6½%, due 1972-88	364,000	5,544,000
	<u>\$634,000</u>	<u>\$8,654,000</u>

Maturities of principal for the five years ended January 31, 1978, are \$634,000 per year.

Among the provisions of the loan agreements are restrictions on the payment of cash dividends and purchases of capital stock. At January 31, 1973, approximately \$17,512,000 reinvested earnings was unrestricted as to such payments.

4. COMMITMENTS AND CONTINGENCIES

A substantial portion of store and warehouse properties are occupied under leases which expire on various dates to 2018. Aggregate minimum rental commitments on leases in effect January 31, 1973 (without credit for subrents receivable), exclusive of taxes and other related costs, are as follows for the periods indicated.

1973	\$ 2,000,115
1974-83	18,845,850
1984-93	13,726,750
After 1993	6,266,005

In a suit filed in October, 1970, the Attorney General of Iowa challenged the validity under Iowa law of a 1½ percent per month finance charge imposed on customer revolving credit accounts and also the finance charge imposed upon closed end instalment contracts. After trial in October, 1971, the Trial Court in January, 1972, found against all claims made by the Attorney General and upheld the validity of the charges made by the Company. The order dismissing the action was entered by the Trial Court on January 31, 1972. The Attorney General appealed the case to the Iowa Supreme Court, which has set April 14, 1973, for argument before the full bench, and a decision by summer seems possible.

It is impossible to state the impact on the Company's operations should the Iowa Supreme Court reverse the Trial Court.

5. SUBSEQUENT EVENT

On February 26, 1973, the Company invested \$1,000,000 in a limited partnership of Becker Communication Associates, a cable television financing group formed by A. G. Becker & Co., Incorporated.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HUBBELL BUILDING
P. O. BOX 772
DES MOINES, IOWA 50303

Board of Directors and Stockholders
Yunker Brothers, Inc.:

We have examined the balance sheets of Yunker Brothers, Inc. as of January 31, 1973 and 1972 and the related statements of earnings, stockholders' equity and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Yunker Brothers, Inc. at January 31, 1973 and 1972 and the results of its operations and the changes in stockholders' equity and financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

March 21, 1973

YOUNKERS IN THE WORLD, THE COMMUNITY, AND EMPLOYEE RELATIONSHIP

YOUNKERS IN THE MARKETS OF THE WORLD. Younkens buyers roam the world looking for merchandise. To help them in their search we are associated with foreign buying offices. In London, England it is the Dean Warburg, Ltd. office, in Florence, Italy A. C. Mazzoli and in Tokyo, Japan William E. Connor. In the states we are members of the Mutual Buying Syndicate in New York and the Schwab, Taylor, Gaverender office in Los Angeles. All of these buying offices work with Younkens buyers in the various markets and keep merchandisers advised of market trends, opportunities and developments through a continuous system of reporting.


YOUNKERS AND THE COMMUNITY. We believe that a corporation, like an individual, has a duty to be an involved citizen of the community. Younkens personnel have deep roots in the soil of society that affects the quality of life for all of us. Charities, civic projects for development of the community, concern for the problems of the minorities and disadvantaged, support for education, contributions for the support of cultural activities are all as much a part of our planning as the primary responsibility for making a profit. Without profits, none of these good works would be possible.

Scores of Younkens associates are personally involved in all of these community support efforts. They spearhead drives to raise funds, they chair important committees, work person-to-person with people who need their expertise, enthusiasm and

concern. Top management initiates and encourages this involvement by providing extra time off during the work week.

NEW YOUNKERS INSURANCE PLAN FOR ASSOCIATES. Younkens has provided a life insurance policy for regular employees. This policy assures that the beneficiaries of the employee will receive one and one-half times his annual salary if that amount is not available for them in the Younkens Profit Sharing Plan.

YOUNKERS PROFIT SHARING PLAN IS UNIQUE. Since 1946 Younkens has supported a profit sharing plan that is unique in the retail industry. Ten percent of profit before taxes is set aside in a fund that is invested and grows under the management of an investment advisory committee. Each year the contributions from profits and the earned income from the invested funds are added together to form a dollar amount to be divided among the employees who qualify under the plan. Once each year the employee is advised of how much is credited to his personal account in the fund. This amount is in his name and is no longer available to the company. To qualify for participation in the plan one must have been a "regular" employee for five years without interruption. Shares in the fund are determined by length of service, annual employee earnings, and the state of the business and investment climate at the time the distribution is made. Participation ends at the age of 65.

A woman with shoulder-length blonde hair is standing in a lush garden. She is wearing a long, sleeveless white dress with a high collar and a row of dark buttons down the side. She is holding a large yellow flower in her hands. The background is filled with green foliage and red flowers. The overall mood is elegant and sophisticated.

FASHION IS OUR BUSINESS
Famous designer names presented
under the respected Youngkers banner
add credence to our claim for fashion
leadership in this region. Exclusive
showings by top fashion personalities,
fashion magazine promotions and
a constant polishing of the fashion
image within all of the stores
keep the charisma and
excitement of couture
leadership alive.

YOUNKERS
DES MOINES, IOWA 50306

The first Younker ad
ran Saturday, October 3, 1874
in the Daily Iowa State Register.

Iowa State Register.

SATURDAY, OCTOBER 3, 1874.

We have come to live here, and mean
to do what is right. If you want good
honest goods at bottom prices, call at

YOUNKER BROS.,
McCain's Block, cor. 6th and Walnut.
